

**MARKED-UP COPY OF AMENDMENT****In the claims:**

Please amend claim 1 as follows:

1.(amended) A method for minimizing transfer tax liability of a grantor for the transfer of the value of nonqualified stock options to a family member grantee, the stock options having a stated exercise price and a stated period of exercise, the method comprising:

establishing a Grantor Retained Annuity Trust (GRAT);

funding said GRAT with assets comprising stock options, the stock options having a determined value at the time the transfer is made;

setting a term for said GRAT and a schedule and amount of annuity payments to be made from said GRAT; and

performing a valuation of the stock options as each annuity payment is made and determining the number of stock options to include in the annuity payment[]; and

providing for removing stock options from said GRAT and substituting assets of equivalent value prior to the natural termination of said GRAT or prior to the end of said exercise period of the options, whichever comes first].

Please amend Claim 13 as follows:

13. (amended) A method for minimizing transfer tax liability of a grantor for the transfer of the value of nonqualified stock options to a family member grantee, the stock options having a stated exercise price and a stated period of exercise, the method comprising:

establishing a Grantor Retained Annuity Trust (GRAT);

funding said GRAT with assets comprising stock options, the stock options having a determined value at the time the transfer is made;

setting a term for said GRAT and a schedule and amount of annuity payments to be made from said GRAT;

performing a valuation of the stock options as each annuity payment is made and determining the number of stock options to include in the annuity payment; and

[providing for removing stock options from said GRAT and substituting assets of equivalent value prior to the natural termination of said GRAT or prior to the end of said exercise period of the options, whichever comes first; and]

establishing an Irrevocable Life Insurance Trust (ILIT) that provides a life insurance policy on the grantor with the family member grantees as named beneficiaries, said ILIT to receive said assets of said GRAT on said GRAT's natural termination.

Please amend claim 25 as follows:

25. (amended) A method for minimizing transfer tax liability of a grantor for the transfer of the value of nonqualified stock options to a family member grantee, the stock options having a stated exercise price and a stated period of exercise, the method comprising:

establishing a Grantor Retained Annuity Trust (GRAT);

funding said GRAT with assets comprising stock options, the stock options having a determined value at the time the transfer is made;

setting a term for said GRAT and a schedule and amount of annuity payments to be made from said GRAT;

performing a valuation of the stock options as each annuity payment is made and determining the number of stock options to include in the annuity payment;

determining an optimum percentage of said GRAT assets that will be said annuity with the purpose of reducing the taxable gift value;

including an amount of cash in said transfer to said GRAT at least equal to the first year's annuity on an estimated present value basis assuming a rate of return on said amount of cash in said GRAT;

deferring the payment of said options in said annuity by including some or all of said cash in at least one annuity payment, thereby reducing the number of said options required to be paid as part of said annuity, and increasing the number of said options remaining in said GRAT; and

[providing for removing the stock options from said GRAT and substituting assets of equivalent value prior to the natural termination of said GRAT or prior to the end of said exercise period of the options, whichever comes first;

removing some or all of the stock options and substituting into said GRAT assets of equivalent value following the final annuity payment but prior to the termination of said GRAT; and]

establishing at the time said GRAT is established an Irrevocable Life Insurance Trust (ILIT) that provides a life insurance policy on said grantor with said family member grantees as named beneficiaries, said ILIT to receive said assets of said GRAT on said GRAT's natural termination.